

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

ST. CHARLES DISTRICT LIBRARY

St. Charles, Michigan

FINANCIAL STATEMENTS

March 31, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
St. Charles District Library
St. Charles, Michigan

We have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the St. Charles District Library as of and for the year ended March 31, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the St. Charles District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Charles District Library, as of March 31, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Charles District Library's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Berthiaume & Co.

Saginaw, Michigan
June 5, 2008

BASIC FINANCIAL STATEMENTS

ST. CHARLES DISTRICT LIBRARY

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

March 31, 2008

	<i><u>Governmental Fund</u></i>	<i><u>Adjustments (Note 2)</u></i>	<i><u>Statement of Net Assets</u></i>
Assets:			
Cash and cash equivalents	\$ 349,372	\$ -	\$ 349,372
Receivables	13,208	-	13,208
Prepaid expenditures/expenses	3,946	-	3,946
Capital assets:			
Nondepreciable capital assets	-	130,000	130,000
Depreciable capital assets, net	-	64,890	64,890
Total assets	<u>\$ 366,526</u>	<u>194,890</u>	<u>561,416</u>
Liabilities and Fund Balance:			
<i>Liabilities:</i>			
Accounts payable	\$ 5,363	-	5,363
Accrued expenses	4,177	-	4,177
Long-term debt:			
Due within one year	-	5,748	5,748
Due in more than one year	-	91,282	91,282
Total liabilities	<u>9,540</u>	<u>97,030</u>	<u>106,570</u>
<i>Fund Balance:</i>			
Reserved	147,374		
Unreserved	<u>209,612</u>		
Total fund balance	<u>356,986</u>		
Total liabilities and fund balance	<u>\$ 366,526</u>		
Net Assets:			
Invested in capital assets, net of related debt		97,860	97,860
Unrestricted		<u>-</u>	<u>356,986</u>
Total net assets		<u>\$ 97,860</u>	<u>\$ 454,846</u>

The accompanying notes are an integral part of these financial statements.

ST. CHARLES DISTRICT LIBRARY

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

	<i><u>Governmental Fund</u></i>	<i><u>Adjustments (Note 2)</u></i>	<i><u>Statement of Activities</u></i>
Revenues:			
Property taxes	\$ 164,950	\$ -	\$ 164,950
State grants	5,712	-	5,712
Contributions from other units	33,799	-	33,799
Interest	7,636	-	7,636
Contributions and memorials	22,930	-	22,930
Other	<u>6,069</u>	<u>-</u>	<u>6,069</u>
Total revenues	<u>241,096</u>	<u>-</u>	<u>241,096</u>
Expenditures/Expenses:			
Operations	160,493	26,188	186,681
Capital outlay	19,280	(19,280)	-
Debt service	<u>10,320</u>	<u>(5,401)</u>	<u>4,919</u>
Total expenditures/expenses	<u>190,093</u>	<u>1,507</u>	<u>191,600</u>
Net change in fund balance/net assets	51,003	(1,507)	49,496
Fund balance/Net assets, beginning of year, restated	<u>305,983</u>	<u>99,367</u>	<u>405,350</u>
Fund balance/Net assets, end of year	<u><u>\$ 356,986</u></u>	<u><u>\$ 97,860</u></u>	<u><u>\$ 454,846</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

ST. CHARLES DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the St. Charles District Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The St. Charles District Library was organized under Public Act 164 of 1955 on April 1, 1978. The Act was repealed in its entirety in 1989 and is now governed by the provisions of the District Library Establishment Act, Public Act 24 of 1989. Brant, St. Charles, and Swan Creek Townships, the three townships that agreed to jointly establish the Library, each appoints two members to serve as Library trustees.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the Library are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and Fund Financial Statements

As permitted by GASB Statement No. 34, the Library uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Governmental Fund Balance Sheet/Statement of Net Assets and the Governmental Statement of Revenues, Expenditures, and Change in Fund Balance/Statement of Activities

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the governmental activities. The Library only has governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in two parts (1) invested in capital assets, net of related debt, and (2) unrestricted net assets. The Library first utilizes restricted resources to finance qualifying activities.

ST. CHARLES DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

The statement of activities reports both the gross and net cost of each of the Library's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Library does not allocate indirect costs.

The government-wide focus is on the sustainability of the Library as an entity and the change in the Library's net assets resulting from current year activities.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met.

The Library reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the Library. It is used to account for all financial resources.

Assets, Liabilities and Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value.

Prepaid Expenditures – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenditures in both the government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Library defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

ST. CHARLES DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Library books, media, and periodicals which comprise the Library's collections are recorded as assets at cost. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the capitalization threshold.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	30 years
Books and periodicals	5 years
Equipment	5-10 years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Property Taxes

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed. The library tax of .7272 mills is levied for the St. Charles District Library by Brant, Swan Creek and St. Charles Townships.

The 2007 taxable valuation for the St. Charles District Library was \$211,845,448.

NOTE 2: RECONCILIATION OF FUND/GOVERNMENT-WIDE FINANCIAL STATEMENTS

- A. Explanation of differences between the fund (modified accrual) balance sheet and the government wide statement of net assets.

ST. CHARLES DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Fund balance		\$ 356,986
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Capital assets used in the modified accrued activities are not financial resources and therefore are not reported in the governmental fund.

Capital assets	1,504,735	
Less accumulated depreciation	<u>(1,309,845)</u>	194,890

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.	<u>(97,030)</u>
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Net assets	<u><u>\$ 454,846</u></u>
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B. Explanation of differences between the fund (modified accrual) statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

Change in fund balance	\$ 51,003
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The governmental fund reports capital outlay as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	19,280	
Less depreciation expense	<u>(26,188)</u>	(6,908)

Repayments of principal on notes are expenditures in the governmental fund, but the payments reduce long-term liabilities in the statement of net assets.	<u>5,401</u>
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Change in net assets	<u><u>\$ 49,496</u></u>
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NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The State of Michigan adopted a Uniform Budgeting and Accounting Act applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for the General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Library Director submits to the Board a proposed budget prior to April 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the Board is included in the required supplemental information.
4. All annual appropriations lapse at fiscal year end.

ST. CHARLES DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Excess of Expenditures over Appropriations in Budgeted Funds

During the year, the Library incurred expenditures that were in excess of the amounts budgeted, as follows:

	<i><u>Final Budget</u></i>	<i><u>Actual</u></i>	<i><u>Excess</u></i>
Capital outlay	\$ 18,850	\$ 19,280	\$ 430
Debt service			
Principal	-	5,401	5,401
Interest	3,400	4,919	1,519

NOTE 4: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. The Library does not have a deposit policy for custodial credit risk. As of March 31, 2008, \$149,236 of the Library's bank balance of \$349,236, was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 5: CAPITAL ASSETS

Capital assets activity of the Library's governmental activities was as follows:

ST. CHARLES DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

	<i>April 1, 2007</i>	<i>Additions</i>	<i>Retirements</i>	<i>March 31, 2008</i>
<i>Governmental activities:</i>				
Nondepreciable capital assets				
Land	\$ 130,000	\$ -	\$ -	\$ 130,000
Depreciable capital assets				
Buildings and improvements	193,310	-	-	193,310
Books and periodicals	1,070,646	18,180	-	1,088,826
Equipment	97,141	1,100	(5,641)	92,600
Total depreciable capital assets	1,361,097	19,280	(5,641)	1,374,736
Accumulated depreciation	(1,289,299)	(26,188)	5,641	(1,309,846)
Depreciable capital assets, net	71,798	(6,908)	-	64,890
Governmental activities, capital assets, net	\$ 201,798	\$ (6,908)	\$ -	\$ 194,890

Depreciation expense as of March 31, 2008 was \$26,188.

NOTE 6: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At year end, there was no deferred revenue.

NOTE 7: LONG-TERM LIABILITIES

The Library may issue loans and notes to provide for the acquisition of major capital facilities and the acquisition of certain equipment. Loans and notes are general obligation debt and are direct obligations and pledge the full faith and credit of the Library.

Long-term liabilities at March 31, 2008 consisted of the following:

<i>Types of Indebtedness</i>	<i>Maturity</i>	<i>Interest Rates</i>	<i>Annual Principal Installments</i>	<i>Original Issue Amount</i>	<i>Balance at Year-End</i>
Governmental activities:					
Mortgage note	07/03/2010	5.00%	\$3,489-29038	\$ 50,488	\$ 36,195
Mortgage note	05/26/2009	4.75%	2,259-58,576	70,000	60,825

ST. CHARLES DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

The following is a summary of long-term liabilities transactions for the year ended March 31, 2008:

	<u>April 1,</u> <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31,</u> <u>2008</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Mortgage note	\$ 39,450	\$ -	\$ (3,255)	\$ 36,195	\$ 3,489
Mortgage note	<u>62,981</u>	<u>-</u>	<u>(2,146)</u>	<u>60,835</u>	<u>2,259</u>
Total governmental activities					
- long-term liabilities	<u>\$ 102,431</u>	<u>\$ -</u>	<u>\$ (5,401)</u>	<u>\$ 97,030</u>	<u>\$ 5,748</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<i>Fiscal</i> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 5,748	\$ 4,572	\$ 10,320
2010	62,244	2,015	64,259
2011	<u>29,038</u>	<u>359</u>	<u>29,397</u>
	<u>\$ 97,030</u>	<u>\$ 6,946</u>	<u>\$ 103,976</u>

NOTE 8: DISAGGREGATED RECEIVABLE BALANCE

Receivables as of year end for the Library are as follows:

Receivables:

Property taxes	\$ 13,159
Accounts	<u>49</u>
Total receivables	<u>\$ 13,208</u>

NOTE 9: RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Library has purchased commercial insurance for significant losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 10: RESERVED FUND BALANCE

The Library's portion of fund balance that is reserved is for the construction of a new library building.

ST. CHARLES DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

NOTE 11: PRIOR PERIOD ADJUSTMENT

Correction of a Reporting Policy:

Prior to the current fiscal year, the Library was recording as deferred revenue any contributions received for the construction of a new library building. This amount should have been shown as revenue in the years received and shown as a reservation of fund balance. As a result of this reporting policy change, the effect on beginning net assets and fund balance is as follows:

	<i><u>Government-Wide Statement</u></i>	<i><u>General Fund</u></i>
Net Assets/Fund Balance previously reported March 31, 2007	\$ 267,560	\$ 168,193
Adjustment needed to properly report the Library's net assets/fund balance:		
Recognize deferred revenue related to new library building	<u>137,790</u>	<u>137,790</u>
Net Assets/Fund Balance at March 31, 2007, restated	<u>\$ 405,350</u>	<u>\$ 305,983</u>

REQUIRED SUPPLEMENTAL INFORMATION

ST. CHARLES DISTRICT LIBRARY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i> <i>Final Budget</i>
Revenues:				
Property taxes	\$ 146,615	\$ 146,615	\$ 164,950	\$ 18,335
State grants	4,744	4,744	5,712	968
Contributions from other units	30,000	30,000	33,799	3,799
Interest	400	400	7,636	7,236
Contributions and memorials	7,700	7,700	22,930	15,230
Other	5,550	5,550	6,069	519
Total revenues	195,009	195,009	241,096	46,087
Expenditures:				
Operations	172,759	172,759	160,493	(12,266)
Capital outlay	18,850	18,850	19,280	430
Debt service				
Principal	-	-	5,401	5,401
Interest	3,400	3,400	4,919	1,519
Total expenditures	195,009	195,009	190,093	(4,916)
Net change in fund balance	-	-	51,003	51,003
Fund balance, beginning of year, restated	305,983	305,983	305,983	-
Fund balance, end of year	<u>\$ 305,983</u>	<u>\$ 305,983</u>	<u>\$ 356,986</u>	<u>\$ 51,003</u>

OTHER SUPPLEMENTAL INFORMATION

ST. CHARLES DISTRICT LIBRARY

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2008

Property Taxes:

Brant Township	\$ 39,786
St. Charles Township	61,023
Swan Creek Township	64,141
	<u>164,950</u>

State Grants:

State aid	<u>5,712</u>
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Contributions from Other Units:

Penal fines	<u>33,799</u>
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Interest:

Interest	<u>7,636</u>
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Contributions:

Contributions and memorials	<u>22,930</u>
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Other:

Copy charges	1,606
Fax charges and sales	1,594
Book fines and lost/damaged books	2,228
Other	641
	<u>6,069</u>

Total revenues	<u><u>\$ 241,096</u></u>
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ST. CHARLES DISTRICT LIBRARY

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2008

Operations:

Personnel	\$ 99,020
Payroll taxes	7,136
Supplies	17,226
Contracted services	3,611
Telephone	2,015
Travel	842
Programs	1,905
Dues and memberships	12,936
Workshops	829
Insurance	3,711
Utilities	4,958
Repairs and maintenance	5,840
Other	464
	<u>160,493</u>

Capital Outlay:

Books	<u>19,280</u>
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Debt Service:

Principal	5,401
Interest	4,919
	<u>10,320</u>

Total expenditures	<u><u>\$ 190,093</u></u>
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ST. CHARLES DISTRICT LIBRARY

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

Year Ended March 31, 2008

MORTGAGE NOTE PAYABLE

Balance payable at April 1, 2007	\$	39,450
Less: Principal paid in current year		<u>(3,255)</u>
Balance payable at March 31, 2008	\$	<u>36,195</u>

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i>	<i><u>Interest due</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2009	5.00%	\$ 3,489	\$ 1,731	\$ 5,220
2010	5.00%	3,668	1,552	5,220
2011	5.00%	<u>29,038</u>	<u>359</u>	<u>29,397</u>
		<u>\$ 36,195</u>	<u>\$ 3,642</u>	<u>\$ 39,837</u>

MORTGAGE NOTE PAYABLE

Balance payable at April 1, 2007	\$	62,981
Less: Principal paid in current year		<u>(2,146)</u>
Balance payable at March 31, 2008	\$	<u>60,835</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i>	<i><u>Interest due</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2009	4.75%	\$ 2,259	\$ 2,841	\$ 5,100
2010	4.75%	<u>58,576</u>	<u>463</u>	<u>59,039</u>
		<u>\$ 60,835</u>	<u>\$ 3,304</u>	<u>\$ 64,139</u>



REQUIRED COMMUNICATION TO THE ST. CHARLES DISTRICT LIBRARY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the Library Board
St. Charles District Library

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Charles District Library for the year ended March 31, 2008, and have issued our report thereon dated June 5, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 12, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our revised engagement letter. You have elected to exclude the Management's Discussion & Analysis which is not a required part of the basic financial statements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the St. Charles District Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

You have elected, as permitted by GASB Statement 34, that the financial statements include an alternative approach to present combined Government-Wide and Fund Financial Statements. This is a simpler and appropriate columnar format that reconciles the full accrual statements to the modified accrual statements.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and

assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Library, appropriately, uses an estimated useful life of five (5) years for books that are depreciated.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Note 11 on page 12 may especially be of interest. In prior years, the Library had recorded "Deferred Revenue" for contributions designated for the building construction. The amount previously reported as deferred revenue is now, correctly, shown as Reserved Fund Balance.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 5, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of the St. Charles District Library as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the St. Charles District Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we do not express an opinion on the effectiveness of the internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the Library has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the Library has placed reliance on its external auditors, who cannot by definition be considered a part of the Library's internal controls.

Cause: This condition was caused by the Library's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the Library to perform these tasks internally.

Effect: As a result of this condition, the Library lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The Library has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the Library to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

Other Matters, Findings and Recommendations

- *Investment Policy*
State Law requires that all local governmental units adopt an investment policy in a prescribed format. We recommend that the Library adopt an investment policy as required.
- *Credit Card Policy*
State Law also requires that all local governmental units, that use credit cards, adopt a credit card usage policy in a prescribed format. We recommend that the Library adopt a

credit card policy as required. *Please note that we did not find any problems with your current credit card usage / payment procedures.*

- *QuickBook Accounts / Budget*

The Library's QuickBook balance sheet includes accounts for Fixed Assets, Accumulated Depreciation and Long-Term Debt Payable. The Library's fund accounting should be done using a "Modified Accrual" method which would mean that the above accounts not be used. We recommend future expenditure transactions for fixed asset additions be classified as capital outlay expense, debt service payments (Principal & Interest) be classified as debt service expense and the above mentioned accounts not be used.

In this connection, the Library's expenditure budget needs to include an amount for the principal portion of the debt service payments. Depreciation expense should not be recorded in the QuickBooks fund.

- *Signature Stamp*

During our audit, we observed that the Library Director, Nannette, prepares checks and reconciles the bank account. Appropriately, she is not an authorized check signer. We found that Nannette has, however, been routinely allowed access to, and use of, a signature stamp of one of the authorized check signers.

We recommend that the check preparer (Nannette) not use or have access to the signature stamp.

This communication is intended solely for the information and use of management, the Board, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

Saginaw, Michigan
June 5, 2008